



Corporate Performance

To the end of June 2007

Reliability and Operational Effectiveness

Measure	Performance Expectation	Status to the end of June 2007
Maintenance of electrical reliability within the province of Ontario	IESO reliability related preparedness, processes, actions and activities will be assessed as appropriate, including: 1. Significant actual and potential reliability events are appropriately addressed and mitigated.	On Track IESO actions to date in 2007 have been effective in averting significant reliability events as well as reacting to reliability events when they occur. The IESO continues to take measures to assure reliability this summer, including a number of actions that are part of normal summer seasonal preparations. These include conducting various emergency preparedness exercises and modifying emergency preparedness actions, providing seasonal specific training and participating in regional seasonal planning studies.
	2. Ontario's annual system Un-supplied Energy is within acceptable limits.	On Track Ontario's year-to-date system Un-supplied Energy (UE) is within acceptable limits. Overall annual UE performance will be assessed and reported at year end.
	3. NERC and NPCC audits are considered successful, and NERC and NPCC reliability standards related performance is acceptable.	On Track No NERC or NPCC audits have been conducted to date this year. A NERC compliance audit addressing transmission planning standards is scheduled for the fourth quarter. Ontario participants were notified of reliability related information on new and developing reliability standards. Ontario year-to-date compliance with IESO related NERC and NPCC standards is within targets.
	4. Reliability related information and forecasts satisfy industry needs.	On Track The IESO regularly assesses the adequacy and reliability of Ontario's power system. The IESO published its second quarterly 18-Month Outlook within publishing timelines. IESO stakeholders were also apprised of Ontario's reliability related assessments and issues in the Ontario Reliability Outlook report, issued in March.
	5. IESO processes supporting Ontario electricity system development projects are assessed as effective and timely.	On Track IESO connection assessment reports for committed projects were completed within timelines agreed with the proponents. Overall annual connection assessment performance will be assessed and reported at year end.
IESO facilitates the Ontario electricity marketplace, provides metering, settlement and market support services and ensures systems availability	Performance assessed on a suite of 23 customer-facing operational measures that address the following areas: • Facilitating the Ontario electricity marketplace (13 measures) • Providing metering, settlement and market support services (6 measures) • Ensuring systems availability (4 measures)	On Track As shown on the operational performance measures table, 22 of 23 operational measures are tracking at or better than their annual performance standards. One measure: accuracy of issuing and financially settling invoices, is below target and will not meet its annual target for 2007. May invoices were reissued to include \$4.75 million in Transmission Rights Clearing Account credits. Although the credit was properly included in the May final settlement statements, IESO management felt it appropriate to reissue the invoices rather than delay customer receipt of the money for a month. Business processes in this area of the IESO have been reviewed and revised accordingly, to avoid recurrence.

Customers & Stakeholders

Measure	Performance Expectation	Status to the end of June 2007
Recognition by customers and stakeholders of IESO as effectively managing communications and relationships in support of both the IESO system and market operation responsibilities, and the needs of Ontario electricity customers	1. The IESO addresses customer needs in the provision of products and services and effectiveness of working relationship with market participants. - Seek regular feedback from customers through visits, meetings, conferences and questionnaires, and ensure internal issues management process is dealing efficiently with customers' concerns. - Respond to needs identified in 2006 annual customer survey by implementing appropriate changes. - Ensure market summaries and market reports reflect changing environment and meet the information needs of stakeholders. - Provide necessary training, support, and related communications that satisfy customer needs.	On Track IESO Account Managers met with market participants 31 times during the quarter to provide assistance and discuss key issues. The quarterly Electricity Exchange newsletter and weekly email communications were delivered on schedule. The IESO action plan developed to respond to the findings of the 2006 Customer Survey results is underway and will continue throughout 2007 to identify and prioritize specific initiatives that will address market participants' requests and concerns. As of the second quarter, an IESO initiative to provide its reports in XML format to facilitate stakeholder use has been completed for all operational reports. The IESO is continuing to work with market participants to evolve toward a single report repository location for all agreed upon report formats. Monthly Market Reports have been modified for 2007 to incorporate the status of the Transmission Rights Clearing Account. Market participant requests for training have been met with very favourable results exceeding a level of 3 out of a possible 4 on feedback surveys. A total of 10 reliability and emergency preparedness workshops have been held at a number of locations across Ontario. About 250 individuals participated. Feedback surveys indicate all participants considered the workshops to be valuable. Additional face-to-face courses and workshops are planned for the third and fourth quarters.
	2. The IESO keeps stakeholders informed and considers stakeholder input in IESO decision making. - Ensure that a simple system status signal is available via Internet - Continue and expand Customer Education Program by developing new partnerships and tools (publications and seminars, etc.) targeted at large volume consumer organizations. - Partner with other organizations to increase effectiveness of market information - Respond to market participant and stakeholder needs through publications, website enhancements and outreach activities - Operating fair, transparent, and consistent stakeholder engagements for important initiatives, where stakeholders	On Track IESO's Internet status signal pilot concluded in the second quarter. The final version of the system status signal is planned to be launched before year end. It will incorporate feedback from an on-line participant survey in the final version. Eight partnerships are currently developed or under development including Greater Toronto Hotel Association, Canadian Manufacturers and Exporters Association, Ontario Chamber of Commerce, Canadian Federation of Independent Business, Association of Municipalities of Ontario, Natural Resources Canada, Ministry of Small Business and Enterprise and Alliance of Ontario Food Processors. Market research is underway in three sectors (municipalities, hotel and manufacturing) to gauge knowledge of market and sector ability to manage costs. A publication for the food processing sector providing guidance in managing electricity costs was completed, posted and distributed. Publications for municipalities, manufacturing and hotel sectors are targeted for completion in the third and fourth quarters. The first issue of the Ontario Market Outlook was issued in May on the five year anniversary of market opening. During the second quarter, the IESO delivered 20 industry presentations and exhibited at four trade shows. Two public Power Advisories were issued in June for the Greater Toronto Area(GTA), resulting in extensive media coverage of the IESO which achieved the objective of customers reducing demand to help relieve the strain on the system serving the GTA. Feedback surveys conducted on stakeholder engagement activities continue to provide very positive results with strong support for stakeholder engagement activities. Results indicate that over 90% of respondents agree that our stakeholder engagement processes are effective at meeting stakeholder engagement principles.

	can provide advice to IESO	The recently completed prudential review (SE-23) received excellent feedback with stakeholders commenting that the stakeholder process facilitated a successful result to a potentially sensitive and controversial initiative. A recent stakeholder survey undertaken with all existing members of the Information Technology Standing Committee (ITSC) resulted in strong support for the continuation of the committee, as well as suggestions for improvements and membership increases. In addition to the nine stakeholder engagement consultations that were initiated in the first quarter, three new plans were started in the second quarter. These are; SE-44: Mapping of Reliability Obligations, SE-43 Revisions to the Suspension, Termination and Disconnection Process, and SE-41 Replacement of Current Digital Certificates to Version 7.0.
	3. The IESO maintains good relations with government and technical organizations including neighbouring ISO's and RTO's, NERC and NPCC to ensure reliable day-to-day operation of the Ontario electricity grid, and ensure mutually beneficial development of standards, practices, and initiatives in support of our objects. • Provide support for Ontario Power Authority initiatives including the Integrated Power System Plan (IPSP) • Advance IESO positions and participate effectively in the ISO-RTO Council (IRC) and the Standards Review Committee (SRC) • Support key NERC and NPCC activities including Electricity Reliability Organization (ERO) developments and protocols and Cross Border Regional Entity (CBRE) Standards development	On Track The IESO continues to be actively engaged with government and other technical organizations on reliability related matters and other initiatives. The IESO is supporting Ontario Power Authority initiatives and has advanced its positions by effectively participating and supporting in ISO/RTO Council, NERC, NPCC Inc. and NPCC Cross Border Regional Entity forums.
	4. The IESO responds in a timely and effective manner to regulatory requirements and initiatives impacting Ontario, primarily involving interfaces with the Ontario Energy Board, National Energy Board and, as appropriate, regulatory authorities in other jurisdictions. IESO actively participates with other authorities, agencies and associations that have regulatory impacts on the IESO-controlled grid and IESO-administered markets, with the aim of ensuring net positive outcomes for stakeholders and satisfying IESO objects. • Compliance requirements, such as filing of compliance reports, annual reliability reports to the Ontario Energy Board, and NEB permit requirements are	Exceeding Expectations Compliance • The IESO continues to meet all of its licence obligations including, submission of quarterly licence compliance reports and reporting pertaining to reliability activities, administration of Rural or Remote Rate Plan, and forecasting of transmission and generation adequacy. Support Initiatives • As an intervenor, the IESO provided evidentiary submissions in leave to construct applications before the Ontario Energy Board (OEB). The IESO assisted in obtaining approval for transmission facilities to connect the Kruger Energy Port Alma 101 MW wind farm. In addition, the IESO is currently assisting in seeking OEB leave to construct Hydro One's proposed transmission reinforcements in Western Brampton and Woodstock Areas and the Bruce to Milton 500 kV transmission line, as well as connection facilities to connect Canadian Renewable Energy Corp's proposed 198 MW Wolf Island wind farm. These projects will increase reliability of the IESO-controlled grid and the availability of supply to electricity customers, as well as address ongoing power quality concerns in local areas.

	completed accurately and filed on time. • Participation in appropriate regulatory support initiatives, particularly those proceedings and initiatives having greatest impact on IESO, including IPSP, Transmission Rate Hearings, Section 92 Applications.	• In response to an OEB request, the IESO worked with Ontario Power Authority, Hydro One Networks and Distribution, PowerStream Inc., and New Market Hydro to develop and implement the first phase of a three-year remedial action plan to address the electricity requirements in Northern York Region. The first phase began in 2007. • The IESO provided significant input to the recently concluded hearing phase of the Hydro One Transmission Rate Review, focusing on projects that will assist in meeting the transmission needs outlined in IESO's Ontario Reliability Outlook reports. Additionally, the IESO provided input in support of the existing forecast charge determinant methodology used by Ontario licensed transmitters and worked with Hydro One to determine if the IESO could assume the future charge determinant forecasting function for all transmitters in the province. The final decision in the Hydro One Networks (HON) proceeding is not expected until the end of the third quarter, 2007; however, in the HON settlement conference, the OEB accepted the IESO's offer to examine the Export Transmission Tariff (ETT) charges (\$1/MWh) with the goal of obtaining reciprocal elimination of ETT charges with neighbouring jurisdictions. • The IESO continues to monitor and positively influence the development and improvement of mandatory and enforceable North American reliability standards by providing comments on NERC's data requests process. Through the Canadian Electricity Association (CEA), the IESO requested clarification that NERC data requests made by FERC will not be applicable to Canadian entities. The CEA and IESO have also provide comments to NERC on their revised data requests process contained in a proposed revision to the Rules of Procedure. • NERC finalized their Policy of Allocating Compliance and Enforcement Costs that acknowledges the IESO's existing compliance structure. Using the policy principles, the IESO has reached agreement with senior NERC and NPCC staff on the budget allocation for Ontario; however, the IESO is awaiting final approval from the respective organizations' Boards. • The IESO commented on NERC's draft 2008 business plan by suggesting that NERC focus on its core standards responsibilities with less emphasis on tool and other ancillary projects. NERC accepted many of the industry's comments including the IESO's recommendations. NERC's revised draft business plan reduced the 2008 budget plan by over \$ 2 million; equating to an additional savings for Ontario of \$70,000. • Regulatory Affairs worked closely with the OEB to ensure that its regulatory instruments accommodate the smart metering initiative including the need for a transition period in relation to settlement using smart meter data and the billing of consumers with smart meters. The OEB issued amendments to the Standard Service Supply Code, the Retail Settlement Code and the Distribution Code. As functions to be performed by the Smart Metering Entity and the associated functionality of the Meter Data Management/Repository (the "MDM/R") may evolve, the OEB's amendments are intended to manage the regulatory framework in a way that ensures that licensed distributors are not required to invest in any systems which would duplicate existing and or potential MDM/R functionality.
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Effective Use of Funds

Measure	Performance Expectation	Status to the end of June 2007
Total spending (OM&A + Interest + Amortization) compared to the budget amount approved by the IESO Board	Total spending (OM&A + Interest + Amortization) is within the \$140.0 million budget amount approved by the IESO Board	On Watch IESO's total spending is forecast to be \$140.8 million, or \$0.8 million above the approved budget for 2007. The IESO will continue to monitor spending closely as the year progresses, seeking cost saving opportunities and prudent program reductions, where appropriate, in maintaining the goal of having total spending in 2007 equal to budget while delivering on the necessary functions of the IESO.
IESO's 2008 Usage Fee approved by the IESO Board	The IESO Usage Fee developed for approval by the Board of Directors for implementation in 2008 will be \$0.79 /MWh or less, consistent with the usage fee identified in the 2007-2009 IESO Business Plan	On Watch Lower revenues are forecast for 2008 due to a lower energy forecast. This financial development will be incorporated into IESO's 2008-2010 business planning activities.
Capital spending compared to budget approved by the Board. Timelines and results compared to approved requirements	Approved capital program is managed effectively within approved \$20.0 million capital budget and required results are achieved. Six key projects as described in the 2007-2009 IESO Business Plan and listed below, are advanced as planned, or delivered as planned during 2007:	On Track Capital program costs to the end of June were \$3.5 million. Spending for the year is projected to be \$11.8 million, or \$8.2 million below budget. This is primarily due to changes to timing of activities associated with definition of a capital program addressing Day Ahead Arrangements.
	1. Day-Ahead Arrangements	Day Ahead Arrangements were budgeted at \$8.0 million in 2007. Efforts to date on this project have not involved capital costs, nor are any currently expected to be incurred in 2007. As this project awaits further definition at this time, reporting of progress against plan is pending.
	2. Energy Management System & Market Information System Upgrade	On Track Two of the three subprojects of the Energy Management System & Market Information System (EMS/MIS) Upgrade project: the Energy Management System and Primary Demand Forecast remain on schedule for completion in 2007. The IESO is in the final stages or vendor selection of the MIS subproject and it has been rescheduled for completion in the second quarter of 2008.
	3. Back-up Operating Centre Relocation	On Track This project was completed within budget and on schedule, as of the end of June. It consisted primarily of placing a new Back Up Control Room and a Computer Room in service and decommissioning the existing Back-up Operating Centre.
	4. Facility Outage Management	At Risk In May, the FOM vendor advised that design work was revealing further potential for increasing both cost and schedule and that they could not guarantee that further discovery would not occur downstream which would result in further adverse impacts. Both joint partners in this project, the IESO and ISO - New England, agreed that this was not a suitable basis for continuing, and stopped further work. As of the second quarter, the joint user requirements between the IESO and ISO - New England have been completed and will serve as the basis for another vendor to complete this project. Discussions are underway with ISO-New England regarding continued collaboration on this project.
	5. UNIX Server Refresh	On Track The second stage of the Unix Server Refresh project is on schedule and on budget. The third and final stage is on schedule to start in August, 2007, and to be completed by July, 2008.
	6. Windows Server Refresh	On Track Stage 4 of this project is on schedule to be completed later this year, on time and on budget. Stage 5, the final stage, is scheduled to start on time in August, 2007.

Market Evolution

Measure	Performance Expectation	Status to the end of June 2007
Achievement and effective management of identified evolution of the electricity marketplace within the industry environment	Taking into account the industry environment during the year, the market evolves in a manner that will: • Deliver reliable supply • Deliver improved economic efficiency • Be consistent with a long-term vision that is coordinated with the Ontario Power Authority and acceptable to key stakeholders In 2007 this will result in progress on initiatives that: • Enhance longer term day-ahead arrangements that provide enduring benefits to stakeholders • Demonstrate the value of the market to consumers	On Track A stakeholder engagement plan (SE-21) was posted in January to enable stakeholders the opportunity to provide advice on high level designs for a day-ahead market for Ontario. This plan was updated in May to reflect a change in timeline. The objective of the plan is to develop options for a day-ahead mechanism by mid-August, 2007, for discussion with stakeholders through to mid-October. The first part of the plan has involved gathering input from stakeholders via a written survey, a general meeting and meetings with individual stakeholders. This input will be reflected in the options that are presented for discussion in August. A decision on the path forward is expected before the end of 2007.
	Initiate a new report series that communicates the IESO's views on market performance and on market evolution alternatives and improvements for stakeholder and public consideration.	On Track A high level, Ontario Market Outlook report was published in early May, coincident with the 5 year anniversary of the opening of the Ontario electricity market. A comprehensive report to the Board of Directors on the market performance and on market evolution alternatives is planned for the fourth quarter.
	Board approval, by the end of 2007, of the results of a physical market prudential review (SE-23) whose objective is to reduce the financial burden to those participating in the IESO administered markets.	Exceeding Expectations The results of a physical market prudential review (SE-23) will be completed significantly ahead of schedule and meet the objective of prudently reducing the financial burden on those participating in the IESO administered markets. The review has been completed and the resulting rules changes have been endorsed by the Stakeholder Advisory Committee and the Technical Panel and were subsequently approved by the IESO Board of Directors in June, 2007, six months ahead of the target date. The rules will be in effect August 1, 2007 and the resulting implementation will be completed prior to the end of the third quarter. Throughout the review, stakeholders, including the Stakeholder Advisory Committee, have expressed support for the recommendations, and commented on both the quality of the work undertaken by the IESO and the associated stakeholdering process.

Effective management of the IESO's role in the implementation of the Smart Meter Initiative	In conducting the Smart Metering Initiative the IESO will achieve: • Successful conduct of the delivery project and its transition into operation; • Reputation enhancement in the form of improved standing with stakeholders and government as a result of our management of the Meter Data Management and Repository System • Arrangements for financial recovery of the project expenditures in place at the time delivery is completed that recovers all these costs in an acceptable timeframe.	On Track As of the second quarter, the SMI project is in the Acceptance Test Phase. But tracking roughly six to eight weeks behind schedule but remains on budget.
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IESO Operational Performance Measures to the end of June 2007

Category/Name	Measure	Criteria	Performance Standard	Status
Facilitate the Electricity Market				
Implement Intertie Schedules	Accuracy	Average for the year	≥98%	100 %
Publish SAA's and SSR's	Timeliness	Published as per schedule	≥98%	98.8 %
Day Ahead Hourly Demand Forecast	Accuracy	Average absolute error for the year	≤2.5%	1.4 %
		Average bias range for the year	-5%≤ BIAS ≤ +5%	+0.4 %
Day at Hand Hourly Demand Forecast - 3 Hours Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤2.0%	0.9 %
		Average bias range for the year	-5%≤ BIAS ≤ +5%	+0.2 %
Day at Hand Hourly Demand Forecast - 1 Hour Ahead of Dispatch Hour	Accuracy	Average absolute error for the year	≤1.5%	0.7 %
		Average bias range for the year	-5%≤ BIAS ≤ +5%	-1.0 %
Transmission Rights Auction Processing	Timeliness	Processed as per schedule	≤1 failure to complete a full auction per year	0
Continuous Operation Of the Market	Frequency of Market Suspension	Number of market suspensions per year caused by the IESO	0 suspensions	0
	Duration of Market Suspensions	Total duration of market suspensions per year caused by the IESO	0 hours	0
Administrative Pricing (AP)	Frequency	Number of occurrences of AP per year	≤75	27
	Duration	Number of intervals AP applied per year	≤350	156
Provide Metering, Settlement and Market Support Services				
Settlement-ready Meter Data	Timeliness	Available next trading day	≥99.3%	99.7%
Meter Trouble Reports Issued to Meter Service Providers	Timeliness	Available next business day	≥92%	96.6%
Preliminary and Final Settlement Statements	Timeliness	Issued as per schedule	≥99%	100%
	Accuracy	No IESO errors	≥99%	99.5%
Issue and Financially Settle Invoices	Timeliness	As required per <i>IESO Settlement Statement Payments Calendar</i>	≥99%	100%
	Accuracy	Average for the year	≥99%	88.3 %
Ensure Systems Availability				
Outbound Market Reports Publication	Availability	Average for the year as per respective schedule	≥99.0%	99.6 %
Market Participant Interface	Availability	Average for the year	≥99.0%	99.8 %
Dispatch & Scheduling Instructions	Availability	Average for the year	≥99.5%	99.8 %
Corporate Web Site	Availability	Average for the year	≥99.0%	99.5 %

Legend: At or better than standard -
Below standard -